

2008 Economic Stimulus Act Provides Tax Benefits to Businesses

Refer to a Certified Public Accountant for these Tax Incentive Applications to Your Business

The full article details, dated 2/21/08, can be found at www.irs.gov/newsroom

WASHINGTON — In addition to providing stimulus payments to individuals, the Economic Stimulus Act of 2008 provides incentives to businesses. These incentives include a special 50-percent depreciation allowance for 2008 purchases and an increase in the small business expensing limitation for tax years beginning in 2008.

❖ 50% Special Depreciation Allowance

- This new law allows the taxpayer to recover the cost or other basis of certain property over several years, an annual allowance for wear and tear, deterioration or obsolescence of the property beginning in tax year 2008. To qualify, the property must be placed in service after 12/31/07 but before 1/1/09. A new version of depreciation and amortization can be found at www.irs.gov and Form 4562-FY

❖ New Depreciation Limits on Business Vehicles

- The total depreciation deduction, including the section 179 deduction, a business can take for a passenger automobile, which is not a truck or van, used in the business and first placed in service in 2008 is \$2,960 -- \$10,960 for automobiles for which the special depreciation allowance applies. The maximum deduction that can be taken for a truck or van used in a business and first placed in service 2008 is \$3,160 -- \$11,160 for trucks or vans for which the special depreciation allowance applies.

❖ Section 179 Expensing

- Taxpayers can opt to treat the cost of certain property as an expense and deduct it in the year the property is placed in service instead of depreciating it over several years. This property is frequently referred to as section 179 property, after the relevant section in the Internal Revenue Code. Under the new law, a qualifying business can expense up to \$250,000 of section 179 property purchased by the taxpayer in a tax year beginning in 2008. Absent this legislation, the 2008 expensing limit for section 179 property would have been \$128,000. The \$250,000 amount provided under the new law is reduced if the cost of all section 179 property placed in service by the taxpayer during the tax year exceeds \$800,000. The new law does not alter the section 179 limitation imposed on sport utility vehicles, which have an expense limit of \$25,000